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ABSTRACT

It is often suggested that measuring local fiscal ability by full valuation of property per public school pupil is inaccurate and inequitable. One substitute measure proposed is district income per pupil or a combination of district income and property value per pupil. However, using this measure would result in a rise in the aid ratios in only six areas in New York State. One other reason to oppose the use of income in measuring fiscal ability is that it does not actually reflect how much tax money is available for schools. Money available for schools depends on property values, not income. Also, in New York, property taxes are used for police and fire protection, street repairs, maintenance, and other activities besides education. In urban areas, these other local needs are greater than in rural areas and thus less money is available for schools. A more equitable measure of fiscal ability might be property value per capita rather than per public school pupil. If total population by school district is not available, total public and nonpublic school enrollment can be substituted since studies have shown this to have a high correlation with total population. (Author/JM)

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OCCASIONAL PAPER # 10

USE OF INCOME AS A MEASURE OF LOCAL FISCAL ABILITY IN THE STATE SCHOOL AID FORMULA

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USE OF INCOME AS A MEASURE OF LOCAL FISCAL ABILITY IN THE STATE SCHOOL AID FORMULA

It has often been pointed out that the present measure of local fiscal ability, full valuation of property per public school pupil, is inaccurate and inequitable. It is this measure that determines for a given district its state aid ratio, that is, the state percentage share of aidable school costs.

Among the substitute measures proposed is income per pupil or a combination of income and property value per pupil. The result of a preliminary analysis of such proposals is displayed in the attached table, which is based on income, property value and pupil data for the school and/or census years 1969-1970. The Big Five cities, the portions of counties outside the upstate Big Four, and selected other counties are treated as entities (i.e. single school districts).

On this basis, the only "districts" whose aid ratios increase from the partial or complete use of income as the fiscal ability measure are the following:

Nassau County
Suffolk County
Rockland County
Erie County - outside Buffalo
Onondaga County - outside Syracuse
Borough of Manhattan (actually aid ratio, while increasing, remains well below zero)
City of Rochester

Aside from the pragmatic undesirability of using an income

ability measure, there is another economic rationale for opposing it.

The purpose behind such measurement is to determine local ability to raise taxes in support of public schools. But that ability is qualified, first, by what may legally be taxed and, second, by the degree to which that tax source is actually available for schools. To date, the property tax base is the only source of local school financing which is both available by law and universally utilized. It is also, by far, the primary source of local funds for this purpose.

The problem is that the same tax base is used for support of other local purposes -- police and fire protection, street repairs and maintenance and many other non-school activities -- and more heavily pre-empted for these purposes in large and small cities than in most other areas of the state. In other words, the property tax base is not equally available for school support in all school districts.

As long as there is a relatively unequal demand for the local property tax to provide school and non-school services for all the people, then its use as a school fiscal ability measure should reflect this qualification on its availability. It is contended that the most direct, accurate, and equitable measure, therefore, is property value per capita rather than per public school pupil. Indeed, one study points out that "no other functional program has received aid, when equalization is required, by measuring fiscal capacity in less than per capita terms."[1]

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[1] Berke, Joel S., Campbell, Alan K., and Goettel, Robert J., Revising School Finance in New York State, Final Report to Fleischmann Commission, Syracuse University, August, 1971, p. II - 21.

The problem of non-coterminality of school districts and population jurisdictions has now been partly solved in the 1970 census, and other studies suggest ways of accurately estimating school district population in the years between census surveys.

One such study, by CLCBE, indicates that total public and nonpublic school enrollment may be used as a surrogate for total population. An analysis of the two variables for all school districts in 1970 produced a correlation coefficient of .968. Further, it should be pointed out that, with the increasing tendency to provide nonpublic school support through dual enrollment and shared services, the inclusion of nonpublic enrollment in the public school fiscal ability measure should not encounter policy opposition.

STATE SCHOOL AID RATIOS USING INCOME AND PROPERTY VALUE AS MEASURES OF LOCAL FISCAL ABILITY

	Measures of Local Fiscal Ability[a]				State Aid Ratio[b]		
	Property Value Per Pupil		Income Per Pupil				Based On:
	Amount	% of Average	Amount	% of Average	Property	Income	Inc. & Prop.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Erie County (Excl. Buffalo)	$ 28,258	84.1 %	$ 16,178	81.5 %	.572	.585	.579
Buffalo	27,886	83.0	19,796	99.7	.577	.492	.535
Monroe County (Excl. Rochester)	29,866	88.9	18,145	91.4	.547	.534	.541
Rochester	41,145	122.5	21,922	110.4	.376	.437	.407
Onondaga County (Excl. Syracuse)	22,551	67.1	13,290	66.9	.658	.659	.659
Syracuse	32,992	98.2	22,049	111.1	.500	.434	.467
Westchester County (Excl. Yonkers)	44,012	131.0	26,215	132.0	.332	.327	.330
Yonkers	45,841	136.4	29,368	147.9	.305	.246	.276
New York City	49,377	147.0	29,563	148.9	.253	.241	.247
Manhattan	116,763	347.6	52,495	264.5	(-).766	(-).348	(-).560
Bronx	25,175	74.9	21,343	107.5	.620	.452	.536
Brooklyn	29,970	89.2	22,195	111.8	.547	.430	.488
Queens	55,932	166.5	34,190	172.2	.154	.122	.137
Richmond	43,056	128.1	28,388	143.0	.349	.271	.310
Nassau County	36,257	107.9	19,692	99.2	.450	.495	.473
Suffolk County	25,150	74.8	12,668	63.8	.619	.675	.648
Rockland County	26,960	80.2	15,439	77.7	.591	.604	.598
Chenango County	13,829	41.1	8,898	44.8	.791	.772	.782
Steuben County	15,799	47.0	9,660	48.6	.761	.753	.758
Rest of State	20,644	61.4	12,808	64.5	.687	.672	.680
Total State	$ 33,587	100.0 %	$ 19,846	100.0 %	.490	.490	.490

Sources: U.S. Census 1970; SED Annual Education Summary 1969-70; CLCBE unpublished data

[a] Pupil in weighted average daily attendance 1969-70 school year

[b] See Attached

Current aid ratio formula is:

$$1.000 - .510 \left(\frac{\text{Local FV/Pupil}}{\text{State Average FV/Pupil}} \right)$$

Thus, income per pupil substituted directly in formula; and combined income/property measure may be expressed as

$$1.000 - \left[.255 \left(\frac{\text{Local FV/Pupil}}{\text{State Average FV/Pupil}} \right) + .255 \left(\frac{\text{Local FV/Pupil}}{\text{State average income/ Pupil}} \right) \right]$$